QIC

# Assessing Australia's maritime trade resilience

**QIC INSIGHT**
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Port of Melbourne, Victoria

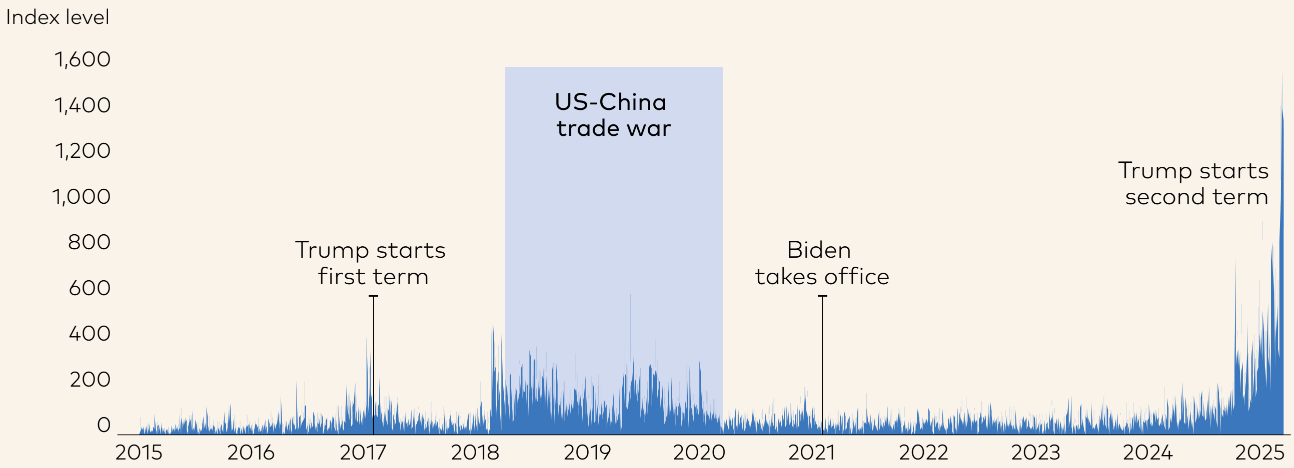
## Introduction

History shows us that maritime commerce can be maintained in the face of great disruption. Shipowners are constantly seeking to move goods along routes that minimise cost, time, distance and risk.

If frustrated along one path (whether it be due to social, political, or economic obstacles) they'll seek the next most efficient route. Australia is no different in this regard. The Australian supply chain has experienced significant disruptions in the past due to geopolitical tensions and global trade wars, highlighting the vulnerabilities inherent in the country's reliance on global shipping.

These disruptions have not only affected trade flow but have also exposed weaknesses in logistics and supply chain resilience. This paper looks to explore how recent geopolitical conflicts have impacted Australia's maritime industry in order to provide future insights into the potential risks and opportunities posed by current and future tensions.

### Figure 1: Trade policy uncertainty hits a new record high




Source: Data downloaded from https://www.matteoiacoviello.com/tpu.htm on 1 May 2025

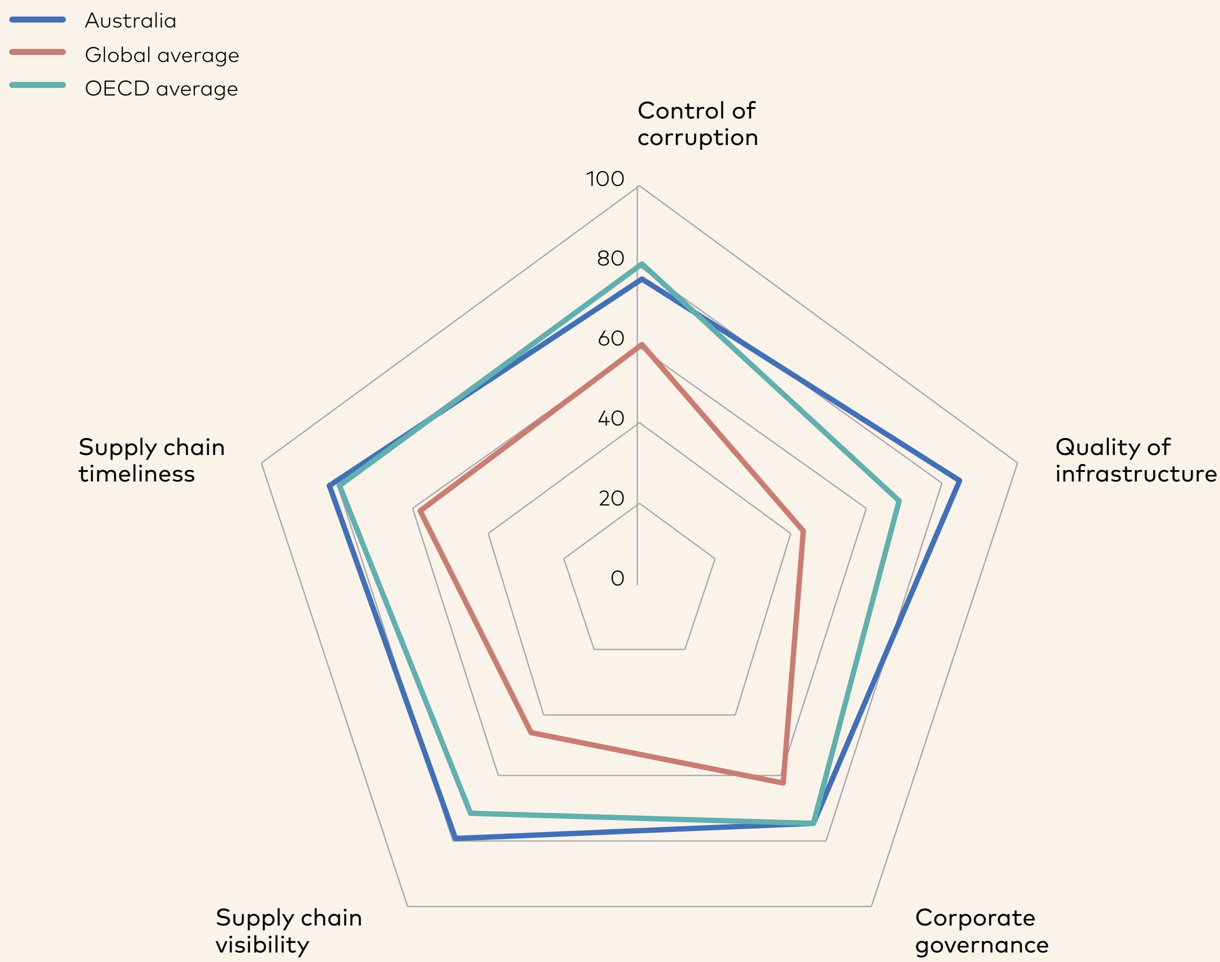
# Australia's relative advantages

Australia has been well-positioned to navigate supply chain risks relative to other nations. Why? Because Australia has robust institutions, regulations, and policies to ensure it can navigate and respond to adverse events.

According to the FM Global Resilience Index, the nation scores above global averages in the ability to control corruption, uphold corporate governance, maintain and develop high quality infrastructure, maintain supply chain visibility and timeliness. Indeed, some of these scores would have improved over time as disruptions from previous events have exposed vulnerabilities and prompted areas for systems reinforcement and key learnings for supply chain management.

Encouragingly, Australia not only maintains resilient supply chains but the nation has recently ranked third in the Hinrich-IMD Sustainable Trade Index (STI)[1]. The index measures 30 global economies' capacity to participate in the international trading system in a manner that supports the long-term goals of economic growth, environmental protection, and societal development — ultimately supporting sustainable development goals.

### Figure 2: Australia supply chain factor scores (100 = maximum resilience)




Source: 2023 FM Global Resilience Index

# Disruptions and their impact on the Australian supply chain

The impact of geopolitical tensions on the maritime industry is primarily felt through the disruption of shipping routes, fluctuations in shipping costs, onshoring of supply chains, geographical shifting of manufacturing capabilities, and the need for shippers to reassess risk management strategies.

As trade policies change or political conflicts intensify, shipping companies must adjust by rerouting vessels, complying with new regulations, lobbying, or even avoiding certain regions altogether. For Australia, these shifts mean adapting to new patterns in export destinations, strengthening alternative trade partner relationships, providing government support, changing shipping costs, and ensuring that the nation's trade routes remain secure and accessible.

## 2018–2020: The US-China trade war

One of the most prominent recent examples of geopolitical disruption has been the escalating trade war between the US and China. The imposition of tariffs and counter-tariffs had immediate ripple effects on global trade, forcing Australian exporters to navigate fluctuating demand and supply chain adjustments. The tariffs placed on Chinese goods by the US led to shifts in the production and transportation of goods across the Pacific, with Australian exporters of coal, iron ore, and agricultural products facing both opportunities and challenges. China turned to Australian resources as alternative suppliers due to the trade barriers imposed on other markets, increasing demand for particular Australian exports. For example, China placed a 10% tariff on US LNG (later increasing to 25% by May 2019)[2] which concurrently led to an increase in Australia's LNG exports to China from US$11.2bn in FY18 to US$20.1bn in FY19 and US$18.5bn in FY20[3]. The same also occurred with Chinese tariffs on US beef[4], which significantly benefitted Australian cattle exporters[5]. However, the uncertainty in global trade and the strained relationship between two of Australia's key trading partners contributed to market volatility, affecting shipping schedules, export volumes, and the predictability of shipping routes.

## 2020: COVID-19 pandemic

While not directly related to geopolitical conflict, the COVID-19 pandemic was a profound disruption to global supply chains that highlighted the interconnectedness and fragility of international trade, especially in maritime transport. Lockdowns, labour shortages, and port congestion in major shipping hubs (including in China, the US, and Europe) caused significant delays in shipments[6]. For Australia, this resulted in severe disruptions to the flow of certain imports and exports, particularly in agriculture[7], manufacturing, and essential goods[8]. However, at an aggregate level Australia's exports held up relatively well, bolstered primarily by ores and minerals exports.[9] From a supply chain disruption perspective, the shortage of containers in key export regions compounded delays, causing a backlog in Australian ports and contributing to rising shipping costs[10]. The pandemic underscored the vulnerability of Australia's supply chains to global disruptions and highlighted the need for diversification in both markets and transport routes to better withstand future shocks.

## 2022–present: The Russia-Ukraine war

The ongoing conflict between Russia and Ukraine has had a profound impact on global shipping, particularly in energy markets and grain exports. Although Australia is geographically distant from the conflict, the war's impact on global commodity markets has indirectly affected Australian exports. For instance, disruptions to Ukrainian grain exports, a key agricultural commodity, increased global demand for Australian wheat, putting pressure on Australian ports and shipping infrastructure to meet surging export levels[11]. At the same time, global shipping routes were impacted by Russia's military actions in the Black Sea, which restricted access to certain ports and led to higher shipping costs and longer transit times. As Australia is a key global supplier of commodities, these disruptions have exposed the interconnectedness of global markets and how regional conflicts can result in supply chain challenges that reverberate worldwide.

## South China Sea tensions and regional security issues

The rising tensions in the South China Sea have had a more indirect but significant effect on Australia's maritime industry, particularly through the lens of security and stability in the Indo-Pacific region. The militarisation of disputed islands, territorial claims by China, and the increasing involvement of the US and other regional players in this space have raised concerns over the security of shipping lanes in the region[12]. While Australia's shipping routes have not yet been directly impacted by military conflict, the risk of disruptions to vital trade corridors remains a concern. Moreover, Australia's role in maintaining regional stability through alliances and security partnerships has meant that the country has had to prepare for potential impacts on its shipping activities, either through rising insurance costs or disruptions caused by heightened security measures in key shipping areas.

## Trade sanctions on key trading partners (e.g. Russia and Iran)

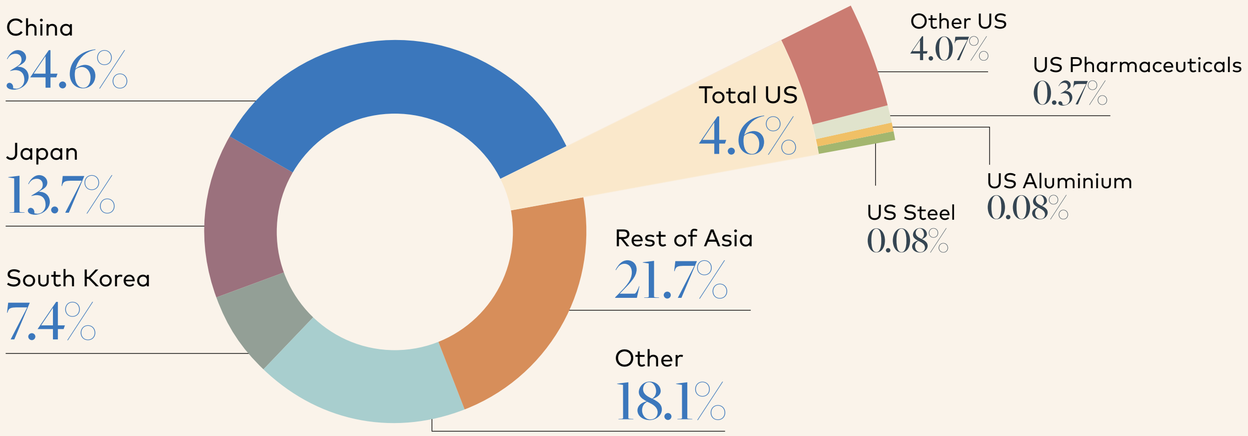
Sanctions imposed on countries like Russia and Iran have previously led to disruptions in Australia's supply chains, particularly when sanctions have involved shipping restrictions, financial penalties, or trade embargoes. These sanctions can disrupt the normal flow of goods, as shipping companies must avoid certain regions or comply with regulatory requirements that complicate transportation and logistics.

For example, when sanctions are placed on oil-producing nations like Iran or Russia, global oil prices often spike, increasing fuel costs for shipping companies and making the transportation of Australian exports more expensive. These price hikes can also cause fluctuations in shipping schedules, impacting the timeliness of deliveries and the reliability of Australia's supply chains.

## 2025: Global trade war

Since the start of February 2025, the Trump Administration has implemented a series of tariffs in hopes to increase local manufacturing, reduce the US government budget deficit, and prevent the flow of illicit drugs from foreign countries. From the onset of the trade war, numerous tariffs have been announced, imposed, or delayed, which has sparked a global trade war as countries respond with their own counter measures. This would weigh heavily on the global economy, however, Australia would fare comparatively better given the small direct trade exposure to the US. In 2024, the US comprised of 4.6% of Australia's exports, with aluminium and steel comprising of 0.08% respectively (the US imposed a 25% tariff on all aluminium and steel imports). The Reserve Bank of Australia also modelled the impacts of how a 10% tariff on all Australian goods would impact the economy, which amounted to a 0.1% direct impact to GDP[13]. The report states that a larger macroeconomic risk would result from the imposition of tariffs on Australia's key trading partners, namely China, South Korea, and Japan.

### Figure 3: Share of Australian goods exports by destination country




Source: QIC Economics

# Lessons from previous disruptions

The disruptions experienced by the Australian supply chain during past and current geopolitical tensions have underscored key impact areas which require bolstering for future resilience.

Whether through shifting trade policies, military conflicts, or global health crises, geopolitical tensions have underscored the need for Australia to develop more resilient, adaptable, and diversified supply chain strategies. The ongoing geopolitical landscape suggests that Australian businesses must continue to assess risks, improve contingency planning, and remain agile in responding to new challenges in the global shipping environment.

## Rerouting and supply chain diversification

In response to disrupted trade routes or changes in trade policies, Australian exporters have often had to adjust by seeking alternative markets or adjusting shipping schedules. For example, during the US-China trade war, Australian exporters of commodities like coal and iron ore pivoted to other markets as China adapted to changing supply conditions. In a similar vein, the pandemic saw Australian businesses explore alternative shipping routes to bypass congested ports or reduce reliance on disrupted supply chains.

## Increased shipping costs and delays

Geopolitical tensions often lead to higher insurance premiums, tariffs, or freight costs, all of which have direct implications for Australia's export competitiveness. As seen during the COVID-19 pandemic, disruptions in global shipping networks can lead to container shortages, delays, and price surges that strain both importers and exporters. The rising costs and unpredictable delivery schedules have particularly impacted industries that rely on just-in-time inventory systems, such as manufacturing and retail.

## Impact on trade volumes and market access

Disruptions in key trade relationships, whether due to tariffs, sanctions, or military conflicts, have the potential to shrink or reorient export markets for Australian products. During the US-China trade war, Australian agricultural exports saw shifts in demand, and market uncertainty often left exporters scrambling to adapt to changing terms of trade. Similarly, during the Russia-Ukraine war, the disruption of European grain exports opened up opportunities for Australian wheat producers but also complicated global shipping logistics.

Port of Brisbane, Queensland

CASE STUDIES

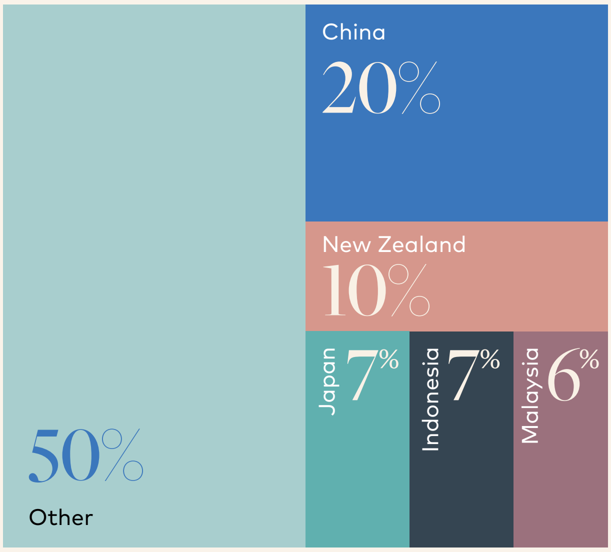
# *The potential impact of US tariffs on Port of Melbourne and Port of Brisbane*

## Port of Melbourne

The Port of Melbourne's (PoM) regulatory regime provides downside protection on trade volumes, with a building blocks approach for prescribed trade revenue over the long-term. Non-prescribed property revenues are also well-supported by long-term property lease agreements with blue chip customers allowing PoM to benefit from strong demand for industrial land in Melbourne, driven by scarcity and population growth.

However, PoM faces indirect exposure to tariff impacts through its Asia-Pacific trading partners, in particular China (~20% of total PoM exports/~49% of total PoM imports), who is being specifically targeted by the Trump Administration in the looming trade war. The overall impact of tariffs on global economic growth and inflation remains a key factor for PoM, and this will take some time to clear.

Figure 4: Port of Melbourne — FY24 export destination country by size (top 5 countries and other)



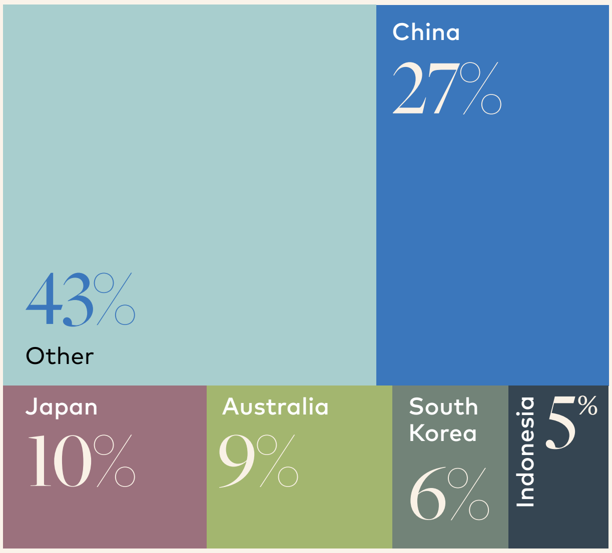

## Port of Brisbane

Port of Brisbane (PoB) has downside protection mechanisms inbuilt within contractual agreements with customers. Standing as a mature landlord port, the asset has historically displayed resilience when recovering from macro-economic downturn. PoB has a well-diversified exposure to key export markets, significantly reducing concentration risk of goods that will, or potentially could be subject to US imported tariffs (with <5% of TEUs from PoB destined for the US)

With a large portion of the port's revenues being underpinned by CPI linked/fixed long-term property lease agreements and take-or-pay arrangements (cruise ship revenue), PoB is structured to be able to withstand any secondary economic shocks that global trade wars may cause.

Similarly with the Port of Melbourne, Port of Brisbane shares the key risk of China as a major trade partner, causing short- to medium-term uncertainty due to emerging frictions in global economic trade. Additionally, the port will not be immune to any shifts in economic downturn.

Figure 5: Port of Brisbane — FY24 export destination country by size (top 5 countries and other)



# Navigating future intervals of trade uncertainty

As not just Australia, but the world, prepares to move into a period of volatility driven by uncertainty of supply chains and political ambiguity, investment flows will remain on the side lines until a state of normality is achieved.

Given tariff implementation has not been applied within policy frameworks, the impacts and outcomes for the future remain difficult to foresee. The Trump Administration's views on tariffs are continually evolving with respect to targets, timing and magnitude, resulting in difficulties for firms to plan ahead in the longer-term (given tariffs have been applied to both historic allies and economic rivals of the US).

The impacts of inflationary pressures in this time of uncertainty remain unpredictable. Given the dynamic environment of tariff announcements, reliefs and retaliations, observable volatility has ensued within most developed economic markets. Despite many predictions noting increases to forecasted inflation within the US, a potential deflationary impact in markets outside the US could develop. This will be driven by countries that are a beneficiary of relatively cheaper imports, (potentially Australia) with an opportunity to capitalise on new tariff driven supply chain flows — offset by a negative exchange rate impact. Given the volatility in the USD exchange rate, the cost of global imports is constantly changing, meaning the 'offset' effects from emerging shifts in the supply chain will be challenging to interpret and act on accordingly.

Continued volatility in trade flows is expected to be an ongoing theme while businesses adapt to the changing macroeconomic environment. There has been a sharp uplift of shipping vessels depositing cargo within the borders of the US, while businesses try to stockpile inventory before the full effect of predicted tariffs are implemented.

Within an Australian lens, projects may be delayed in the short-term as vessels are diverted away from the country to satisfy the temporary increase in demand caused by stockpiling. This is expected to ease when a more mature view on tariff implementation is obtained.

New trade corridor creation is a possible outcome from the permanent tariff implementation in the medium- to long-term after volatility and uncertainty reduces. We are currently starting to see this trend emerge with Japan's Ocean Network Express cancelling a service due to start operating from May 2025 from Asia to the West Coast of North America[14]. If new corridors and shipping hubs are required in the future, it creates an opportunity for private equity providers and financiers to provide capex to facilitate the expansion.

Global investment largely has remained on the sidelines (driven by uncertainty around forecasting), as market participants face the risk of compressed margins (partial tariff absorption), revised sales estimates (potentially beneficial or disadvantageous) and preparing for a possible period of reduced consumption.

Australia is well positioned to become a potential safe haven, as US domestic investment may be hindered through the consequences of the rise in the USD, increases to interest rates, increased cost of investment and uncertainty within markets.

# Conclusion

The maritime industry is highly vulnerable to the ebb and flow of global geopolitical tensions.

For Australia, the consequences of such tensions — ranging from trade disruptions to rising costs — necessitate a strategic approach to navigating an increasingly complex and uncertain global landscape.

Understanding and mitigating these risks will be key for ensuring the continued success of Australia's maritime trade in the face of geopolitical challenges.

# Notes


1 www.imd.org/centers/wcc/world-competitiveness-center/rankings/sustainable-trade-index

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8 www.rba.gov.au/publications/smp/2021/may/box-b-supply-chains-during-the-covid-19-pandemic.html

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10 maritime-executive.com/article/supply-chain-disruptions-continue-to-plague-australian-container-ports

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# Important information



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